

Message Text

CONFIDENTIAL

PAGE 01 ALGIER 02580 231216Z

11

ACTION EB-07

INFO OCT-01 AF-04 ARA-06 EUR-12 EA-06 NEA-06 ISO-00 IO-10

FEA-01 AEC-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00

DODE-00 FPC-01 H-01 INR-05 INT-05 L-02 NSAE-00 NSC-05

OMB-01 PM-03 RSC-01 SAM-01 OES-03 SP-02 SS-15 STR-01

TRSE-00 FRB-01 PA-01 PRS-01 USIA-06 /120 W

----- 088637

P R 231105Z NOV 74

FM AEMEMBASSY ALGIERS

TO SECSTATE WASHDC PRIORITY 1450

AMEMBASSY PARIS PRIOTIY

INFO AMEMBASSY BEIRUT

AMEMBASSY ABU DHABI

USINT BAGHDAD

AMEMBASSY CARACAS

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY LAGOS

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

AMEMBASSY KUWAIT

AMEMBASSY VIENNA

C O N F I D E N T I A L ALGIERS 2580

PARIS PASS ALL OECD CAPITALS

BEIRUT PASS BAGHDAD,

PARIS PASS ENDERS,

E.O. 11652: GDS

TAGS: ENRG, AG

SUBJ: ALGERIAN REACTION TO KISSINGER AND SIMON ENERGY SPEECHES

REF: (A) ALGIERS 2576 (B) STATE 256937 (C STATE 256861

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 ALGIER 02580 231216Z

SUMMARY: ALGERIAN REACTION TO KISSINGER AND SIMON SPEECHES ON OIL QUESTION ARE UNFAVORABLE. ALGERIANS REGARD THEM AS SIGNALING US INTENTION HAVE CONFRONTATION WITH OPEC, AND CONSIDER FORMATION IEA AS CONCRETE STEP IN OUR MARCH TOWARDS CONFRONTATION.

2. ALGERIAN REACTION TO SECRETARY KISSINGER'S CHICAGO SPEECH AND SECRETARY SIMON'S NOVEMBER 18 SPEECH CAN BE SUMMED UP IN ONE WORD, "CONFRONTATION". THIS WORD CONSTANTLY APPEARS IN PRESS COMMENTS AND IN REMARKS MADE TO US AND TO OTHER DIPLOMATS HERE BY ALGERIAN OFFICIALS.

3. THUS, DURING CONVERSATION WITH ME NOVEMBER 20, MOHAMED ABERKANE, DIRECTOR NORTH AMERICAN AFFAIRS IN FOREIGN MINISTRY, EXPRESSED CONCERN THAT OIL PRICE ISSUE LIKELY CLOUD RELATIONS WHICH SO RECENTLY RESUMED. HE NOTED THAT LOCAL PRESS HAS INTERPRETED FORMATION OF IEA AND VARIOUS STATEMENTS MADE BY AMERICAN OFFICIALS AS BUILDING UP TO A CONFRONTATION WITH OIL PRODUCING STATES, ALGERIANS DO NOT WANT CONFRONTATION WITH US. THEY WERE INTERESTED IN HOLDING THE LINE ON OIL PRICES, NOT IN INCREASING THEM. THEY WERE ALSO INTERESTED IN TRYING PRICES TO AN AGREED INDEX OF SOME SORT, AND WANTED FIND MEANS TO RECYCLE OIL PROFITS INTO LDCE. THEY NOT GETTING MUCH HELP FROM THEIR ARAB BROTHERS IN THIS LATTER ENDEAVOR. FINALLY, THEY THOUGHT SOMETHING SHOULD BE DONE ABOUT HUGE PROFITS BEING MADE BY OIL COMPANIES, INCLUDING THEIR OWN. ALGERIANS WERE BEING POSITIVE AND SHOWING RESTRAINT, BUT AMERICANS WERE NOT RECIPROCATING.

4. MY WEST EUROPEAN COLLEAGUES REPORT SIMILAR COMMENTS BEING MADE BY OTHER OFFICIALS. BOUMEDIENE, FOR INSTANCE, REPORTEDLY RAISED ISSUE WITH SWEDISH PRIME MINISTER AND ASKED WHY SWEDEN HAD JOINED IEA, TO WHICH PRIME MINISTER HAD REPLIED SWEDEN'S DECISION DICTATED BY ECONOMIC NECESSITY. BOUMEDIENE ALLEGEDLY SUGGESTED SWEDISH GOVERNMENT DEAL DIRECTLY WITH ALGERIANS AND BY PASS MIDDLEMEN.

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 ALGER 02580 231216Z

5. SWISS AMBASSADOR TOLD BY DIRECTOR OF POLITICAL AFFAIRS AT FOREIGN MINISTRY THAT ALGERIANS NOT SO CONCERNED ABOUT FACT SWITZERLAND HAD JOINED IEA AS THEY WERE BY FEARS THAT THIS WAS INSTRUMENT WHICH AMERICANS WOULD MANIPULATE TO FORCE CONFRONTATION BETWEEN CONSUMERS AND PRODUCERS. HE SAID ALGERIANS HAD INTERPRETED REMARKS MADE BY SECRETARIES SIMON AND

KISSINGER AS CONFIRMING THEIR WORST FEARS THIS REGARD.

6. PRESS REACTION HAS BEEN VIRULENT. NOVEMBER 16 HEADLINES IN EL MOUDJAHID ARTICLE REPORTING SECRETARY KISSINGER'S SPEECH WERE "KISSINGER GOES TO WAR AGAINST PRODUCERS." ARTICLE SAYS KISSINGER IN EFFECT HAS THROWN AN ULTIMATIUM TO PRODUCERS--HE HAS LEFT NO DOOR OPEN FOR A DIALOGUE OR COOPERATION ON PETROLEUM MATTERS WITH THE PRODUCING STATES. HE HAS SAID A DIALOGUE IS ONLY POSSIBLE ONCE ECONOMIC SECURITY IS REINFORCED TO SAFEGUARD THE INTERNATIONAL FINANCIAL SYSTEM. ARTICLE NOTES THE CREATION OF THE IEA AT THE OECD ECHOES KISSINGER'S REMARKS. THE CREATION OF THIS AGENCY CONFIRMS THE INTENTION TO OPPOSE OPEC.

7. ON NOVEMBER 20 EL MOUDJAHID HEADLINED OPEC SECRETARY-GENERAL KHENE'S ADDRESS OF NOVEMBER 19, 1974 AS WARNING AGAINST THREATS FROM CONSUMERS. PAPER DESCRIBES KHENE'S SPEECH AS A RESPONSE OF OPEC TO THE PROPOSITIONS OF KISSINGER.

8. ON NOVEMBER 22 EL MOUDJAHID WITH THE HEADLINES "THE BATTLE OF PETRODOLLARS" CARRIES LONG ARTICLE ON SECRETARY SIMON'S PROPOSALS FOR RECYCLING PETRODOLLARS. ACCORDING TO ARTICLE THIS NEW FINANCIAL BATTLE RUNS PARALLEL TO BATTLE FOR COMMODITIES FOUGHT BY THIRD WORLD AND OIL BATTLE FOUGHT BY ARABS. IT IS THE CONFRONTATION BETWEEN DEVELOPED AND DEVELOPING COUNTRIES--ESPECIALLY THE REVOLUTIONARY FORCES AGAINST IMPERIALISM.

9. ARTICLE CONTINUES THAT BIG POWERS SEEKING LEVER WITH WHICH TO BREADK ARAB OIL POLICY. THIS TAKES SEVERAL CONFIDENTIAL

CONFIDENTIAL

PAGE 04 ALGIER 02580 231216Z

FORMS. THE FIRST IS TO NEGOTIATE BILATERAL AGREEMENTS AND COOPERATION AGREEMENTS. BUT AFTER THE CREATION OF THE IEA, SIMON PROPOSED A NEW ORGANIZATION WITH A 25 BILLION DOLLAR BASE TO RECYCLE PETRODOLLARS. SIMON'S PROPOSALS ARE CONTINUALLY BRANDED AS AMERICAN AND BEING PROPOSED IN AMERICAN DOMINATED ORGANIZATIONS.

10. ARTICLE CONCLUDES THAT ARABS REALIZE THE NEED TO PROTECT THE PRICE OF OIL AND WILL NOT SUCCUMB TO ATTACKS SUCH AS THE RECYCLING SCHEME AND NON-NEGOTIABLE TREASURY BILLS. THIS IS WHY CERTAIN ARAB COUNTRIES PROPOSE TO CREATE INSTITUTIONS TO HANDLE THEIR OWN FUNDS. SUCH INSTITUTIONS COULD BE BENEFICIAL TO LOCAL AND REGIONAL ECONOMIES AND HELP TRANSFORM THE WORLD ECONOMY TO A MORE EQUITABLE INSTRUMENT.

11. THERE IS NO QUESTION ALGERIANS INCREASINGLY CONCERNED OVER PROSPECTS OF CONFRONTATION AND I THINK WE SHOULD MAKE A SPECIAL EFFORT TO ALLAY THOSE CONCERNS TO EXTENT POSSIBLE FUNDAMENTAL CONFLICTS OF PERCEIVED INTERESTS, LIKELY MAKE THIS DIFFICULT IN LONG RUN, BUT IN SHORT RUN WE SHOULD AT LEAST REITERATE TO ALGERIANS OUR DESIRE AVOID CONFRONTATION. WHILE EMBASSY OFFICERS WILL CONTINUE TO DO JUST THAT AT EVERY OPPORTUNITY, WOULD BE USEFUL HAVE MESSAGE TO BOUMEDIENE FROM SECRETARY BRINGING HIM UP TO DATE ON OUR CURRENT THINKING ON OIL PRICE ISSUE AND ASSURING HIM WE DO NOT WANT CONFROMTATION.

12. IT ALSO WOULD BE USEFUL IF OIL EXPERT, KNOWLEDGEABLE ON INDEXATION AND WORLD INFLATION COULD COME TO ALGIERS TO DISCUSS PRICING QUESTIONS WITH MINISTRY OF INDUSTRY AND ENERGY AND SONATRACH ALONG LINES SUGGESTED REFTEL. WE DO NOT KNOW IF IT IS POSSIBLE ON SUCH SHORT NOTICE, BUT AN EXPERT MEETING WITH ALGERIANS BEFORE DECEMBER OPEC MEETING WOULD BE VERY TIMELY.

13. FINALLY, CAN WE HAVE FULL TEXT OF IEA AGREEMENT?
PARKER

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, GOVERNMENT REACTIONS, SPEECHES
Control Number: n/a
Copy: SINGLE
Draft Date: 23 NOV 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974ALGIER02580
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740340-0544
From: ALGIERS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741118/aaaaaore.tel
Line Count: 192
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: (A) ALGIERS 2576 (B) STATE 256937 (C)
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 29 MAR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <29 MAR 2002 by worrelsw>; APPROVED <24 MAY 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ALGERIAN REACTION TO KISSINGER AND SIMON ENERGY SPEECHES
TAGS: ENRG, AG, US
To: STATE PARIS
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005